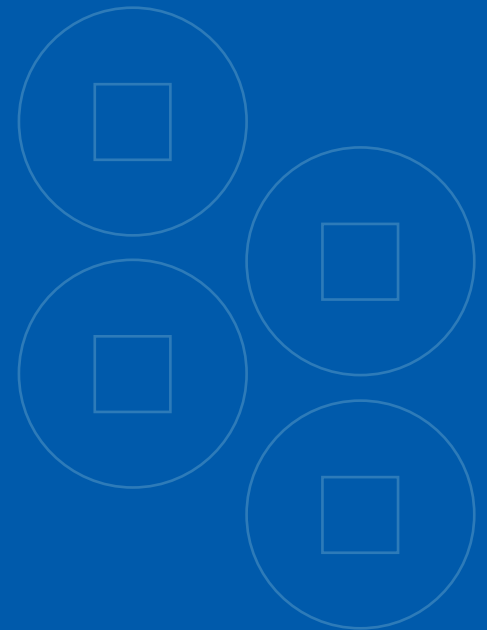




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Multinational Enterprise Top-Up Tax and Domestic Top-Up Tax

Part C of Module Four: Computation of ETR and Top-Up Amount



July 2025

Outline of Module

- + Jurisdiction ETR
- + Top-Up Amount
- + Substance-Based Income Exclusion
- + Allocation of Top-Up Amount**
- + De Minimis Exclusion**
- + Applicability to DTT**



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Allocation of Top-Up Amount

Allocation of Top-Up Amount

Step 1 – Determine if MNE group is in-scope

- Determine whether MNE group meets or exceeds the revenue threshold in the applicable FYs.

Step 2 – CE's within scope

- If the MNE group is in-scope, identify the location of each CE within the MNE group.

Step 3 – Safe harbours and de minimis rules

- Consider if safe harbour and/or de minimis rule applies to the jurisdiction.

Step 4 – GloBE Income / Loss and Covered Taxes

- Determine the GloBE Income or Loss and Adjusted Covered Taxes of each CE.

Step 5 – ETR and Top-Up Amount

- Compute ETR of all CE's located in the jurisdiction and determine the Jurisdictional Top-Up Amount.

Step 6 – MTT and DTT

- Impose top-up tax under MTT or DTT in accordance with agreed rule order.

Adjusted Covered Taxes
(all CE's in a jurisdiction)

GloBE Income or Loss
(all CE's in a jurisdiction)

=

Jurisdictional ETR

Jurisdictional Excess Profits
= GloBE Income or Loss (all CE's in the jurisdiction) – **Substance-Based Income Exclusion** (all CE's in the jurisdiction)

x

Top-Up Tax %
= Minimum Rate – Jurisdictional ETR

Jurisdictional Top-Up Amount
= (Jurisdictional Excess Profits x Top-Up Tax %) + Additional Current Top-Up Amount – **QDMTT**

Allocated proportionately to CE's with positive GloBE Income

Top-Up Amount of a CE

Top-Up Amount of a CE

How to determine the top-up amount of a CE?

- If the **sum of the GloBE income or loss of all the CEs in the jurisdiction > 0**:*

Top-up amount of a CE for a FY = $[A \times (B \div C)]$

- A = Jurisdictional top-up amount for the CEs located in the jurisdiction for that FY.**
- B = If the GloBE income or loss of the CE for that FY ≤ 0 , then **nil**.
= If not, then the **GloBE income or loss of the CE for that FY**.
- C = Sum of the GloBE income or loss of those CEs (with a positive amount of GloBE income or loss) for that FY.

* Sections 16(1) and 16(2) of the MMT Act.

** Section 16(4) of the MMT Act.

Top-Up Amount of a CE

- Example 1 – Assume the MNE group has three CEs in Singapore:
 - Sum of the GloBE income or loss of all the CEs is a positive amount.

| (\$) | CE 1 | CE 2 | CE 3 |
|----------------------------------------------------------------|----------------------------------------------|-----------------------------------------------|-------------------------------------------|
| Jurisdictional top-up amount for the CEs in Singapore (i.e. A) | 10 | | |
| GloBE income or loss of the CE (i.e. B) | 50 | 150 | (75) <i>Deemed nil</i> |
| Sum of GloBE income or loss of the CEs in Singapore (i.e. C) | 200 (i.e. 50 + 150) | | |
| Top-up amount of the CE (i.e. $A \times (B \div C)$) | 2.5 (i.e. $10 \times (50 \div 200)$) | 7.5 (i.e. $10 \times (150 \div 200)$) | 0 (i.e. $10 \times (0 \div 200)$) |

Top-Up Amount of a CE

How to determine the top-up amount of a CE?

- If the **sum of the GloBE income or loss of all the CEs in the jurisdiction ≤ 0** , and the CEs only have an **additional current top-up amount under section 21(1) of the MMT Act**:*

Top-up amount of a CE for a FY = $[A \times (D \div E)]$

- A = Jurisdictional top-up amount for the CEs located in the jurisdiction for that FY.**
- D = If the GloBE income or loss of the CE for that FY **> 0** , then **nil**.
= If the adjusted covered taxes of the CE for that FY **≥ 0** , then **nil**.
= If neither, then **$[(\text{GloBE income or loss of the CE for that FY}) \times 15\%] - (\text{Adjusted covered taxes of the CE for that FY})$** .
- E = Sum of D for the CEs in that jurisdiction.

* Sections 16(1) and 16(3)(a) of the MMT Act.

** Section 16(4) of the MMT Act.

Top-Up Amount of a CE

- Example 2 – Assume the MNE group has three CEs in Singapore:
 - Sum of the GloBE income or loss of all the CEs is a negative amount, and those CEs only have a section 21(1) additional current top-up amount.

| (\$) | CE 1 | CE 2 | CE 3 |
|----------------------------------------------------------------|------------------------------------------|--------------------------------------------|-------------------------------------------|
| Jurisdictional top-up amount for the CEs in Singapore (i.e. A) | 30 | | |
| GloBE income or loss of the CE (i.e. X) | 50 | (160) | (80) |
| Adjusted covered taxes of the CE (i.e. Y) | 2 | (40) | (20) |
| $[(X \times 15\%) - Y]$ (i.e. D) | <i>Deemed nil</i> | 16 (i.e. $[(-160 \times 15\%) - (-40)]$) | 8 (i.e. $[(-80 \times 15\%) - (-20)]$) |
| Sum of D for the CEs in Singapore (i.e. E) | 24 (i.e. $16 + 8$) | | |
| Top-up amount of the CE (i.e. $A \times (D \div E)$) | 0 (i.e. $30 \times (0 \div 24)$) | 20 (i.e. $30 \times (16 \div 24)$) | 10 (i.e. $30 \times (8 \div 24)$) |

Top-Up Amount of a CE

How to determine the top-up amount of a CE?

- If the **sum of the GloBE income or loss of all the CEs in the jurisdiction ≤ 0** , and the CEs only have an **additional current top-up amount attributable to a recalculation under section 21(4) of the MMT Act** for one previous FY:*

Top-up amount of a CE for a FY = $[A \times (F \div G)]$

- A = Jurisdictional top-up amount for the CEs located in the jurisdiction for that FY.**
- F = If the GloBE income or loss of the CE for the previous FY **< 0**, then **nil**.
= If not, then the **GloBE income or loss of the CE for the previous FY**.
- G = Sum of F for the CEs in that jurisdiction.

* Sections 16(1) and 16(3)(b) of the MMT Act.

** Section 16(4) of the MMT Act.

Top-Up Amount of a CE

- Example 3 – Assume the MNE group has three CEs in Singapore:
 - Sum of the GloBE income or loss of all the CEs for FY 5 is a negative amount, and those CEs only have a section 21(4) additional current top-up amount due to a recalculation of the top-up amount for a previous FY (i.e. FY 1).

| (\$) | CE 1 | CE 2 | CE 3 |
|-------------------------------------------------------------------------|--------------------------------------------|--------------------------------------------|-------------------------------------------|
| Jurisdictional top-up amount for the CEs in Singapore for FY 5 (i.e. A) | 10 | | |
| GloBE income or loss of the CE in FY 1 (i.e. F) | 20 | 80 | (50) <i>Deemed nil</i> |
| Sum of F for the CEs in Singapore (i.e. G) | 100 (i.e. 20 + 80) | | |
| Top-up amount of the CE (i.e. $A \times (F \div G)$) | 2 (i.e. $10 \times (20 \div 100)$) | 8 (i.e. $10 \times (80 \div 100)$) | 0 (i.e. $10 \times (0 \div 100)$) |

Top-Up Amount of a CE

How to determine the top-up amount of a CE?

- If the **sum of the GloBE income or loss of all the CEs in the jurisdiction ≤ 0** , and the CEs have **both** an additional current top-up amount under section 21(1) of the MMT Act (i.e. C), and an additional current top-up amount attributable to a recalculation under section 21(4) of the MMT Act (i.e. P):*

$$\text{Top-up amount of a CE for a FY}^{**} = [A_1 \times (D \div E)]^{***} + [A_2 \times (F \div G)]^{***} *$$

- $A_1 = C - \{K \times [C \div (C + P)]\}$
- $A_2 = P1 - \{K \times [P1 \div (C + P)]\}$, for each previous FY for which recalculation is made.
- P1 = Amount computed under section 21(4) of the MMT Act for that previous FY.
- K = QDMTT.

* Sections 16(1) and 16(3)(c) of the MMT Act.

** Regulations 94(1) and 94(2) of the MMT Regulations.

*** Section 16(3)(a) of the MMT Act.

*** * Section 16(3)(b) of the MMT Act.

Top-Up Amount of a CE

- Example 4 – Assume the MNE group has 3 CEs in Singapore:
 - Sum of the GloBE income or loss of all the CEs for FY 5 is a negative amount. Those CEs have both a section 21(1) additional current top-up amount, and a section 21(4) additional current top-up amount due to a recalculation of the top-up amount for previous FYs (i.e. FY 1 and FY 2).

| Jurisdictional top-up amount for FY 5 (\$) | |
|-------------------------------------------------------------------------------------------------------|----------------------------------------------------|
| Section 21(1) additional current top-up amount (i.e. C) | 30 |
| Section 21(4) additional current top-up amount (i.e. P) | 20 (i.e. FY 1: 10 + FY 2: 10) |
| Total additional current top-up amount (i.e. C + P) | 50 |
| Less: QDMTT (i.e. K) | (40) |
| Jurisdictional top-up amount | 10 |
| Share for 21(1) (i.e. $A_1 = C - \{K \times [C \div (C + P)]\}$) | 6 (i.e. $30 - \{40 \times [30 \div 50]\}$) |
| Share for 21(4) – Recalculation for FY 1 (i.e. $A_2 = P_1 - \{K \times [P_1 \div (C + P)]\}$) | 2 (i.e. $10 - \{40 \times [10 \div 50]\}$) |
| Share for 21(4) – Recalculation for FY 2 (i.e. $A_3 = P_2 - \{K \times [P_2 \div (C + P)]\}$) | 2 (i.e. $10 - \{40 \times [10 \div 50]\}$) |

Top-Up Amount of a CE

- Example 4 (continued):

| FY 5 (\$) | CE 1 | CE 2 | CE 3 |
|-------------------------------------------------------------------------------------------------------------------|-----------------------------------------|-------------------------------------------|-----------------------------------------|
| Share of jurisdictional top-up amount in relation to section 21(1) additional current top-up amount (i.e. A_1) | 6 | | |
| GloBE income or loss of the CE for FY 5 (i.e. X) | 50 | (160) | (80) |
| Adjusted covered taxes of the CE (i.e. Y) | 2 | (40) | (20) |
| $[(X \times 15\%) - Y]$ (i.e. D) | <i>Deemed nil</i> | 16 (i.e. $[(-160 \times 15\%) - (-40)]$) | 8 (i.e. $[(-80 \times 15\%) - (-20)]$) |
| Sum of D for the CEs in Singapore (i.e. E) | 24 (i.e. $16 + 8$) | | |
| Top-up amount of the CE in relation to section 21(1) (i.e. $A_1 \times (D \div E)$) | 0 (i.e. $6 \times (0 \div 24)$) | 4 (i.e. $6 \times (16 \div 24)$) | 2 (i.e. $6 \times (8 \div 24)$) |

Top-Up Amount of a CE

- Example 4 (continued):

| FY 5 (\$) | CE 1 | CE 2 | CE 3 |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------|---------------------------------------------|------------------------------------------|
| Share of FY 5's jurisdictional top-up amount in relation to section 21(4) additional current top-up amount due to recalculation of top-up amount for FY 1 (i.e. A_2) | 2 | | |
| GloBE income or loss of the CE in FY 1 (i.e. F_1) | 20 | 80 | (50) <i>Deemed nil</i> |
| Sum of F_1 for the CEs in Singapore (i.e. G_1) | 100 (i.e. $20 + 80$) | | |
| Top-up amount of the CE in relation to section 21(4) recalculation for FY 1 (i.e. $A_2 \times (F_1 \div G_1)$) | 0.4 (i.e. $2 \times (20 \div 100)$) | 1.6 (i.e. $2 \times (80 \div 100)$) | 0 (i.e. $2 \times (0 \div 100)$) |

Top-Up Amount of a CE

- Example 4 (continued):

| FY 5 (\$) | CE 1 | CE 2 | CE 3 |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|-------------------------------------------|------------------------------------------|
| Share of FY 5's jurisdictional top-up amount in relation to section 21(4) additional current top-up amount due to recalculation of top-up amount for FY 2 (i.e. A_3) | 2 | | |
| GloBE income or loss of the CE in FY 2 (i.e. F_2) | 80 | 80 | (50) <i>Deemed nil</i> |
| Sum of F_2 for the CEs in Singapore (i.e. G_2) | 160 (i.e. $80 + 80$) | | |
| Top-up amount of the CE in relation to section 21(4) recalculation for FY 2 (i.e. $A_3 \times (F_2 \div G_2)$) | 1 (i.e. $2 \times (80 \div 160)$) | 1 (i.e. $2 \times (80 \div 160)$) | 0 (i.e. $2 \times (0 \div 160)$) |

Top-Up Amount of a CE

- Example 4 (continued):

| Top-up amount of the CE for FY 5 (\$) | CE 1 | CE 2 | CE 3 |
|-----------------------------------------------------------------------------------------|------------|------------|----------|
| In relation to section 21(1) (i.e. $A_1 \times (D \div E)$) | 0 | 4 | 2 |
| In relation to section 21(4) recalculation for FY 1 (i.e. $A_2 \times (F_1 \div G_1)$) | 0.40 | 1.60 | 0 |
| In relation to section 21(4) recalculation for FY 2 (i.e. $A_3 \times (F_2 \div G_2)$) | 1 | 1 | 0 |
| Total top-up amount of the CE (i.e. $A_1 + A_2 + A_3$) | 1.4 | 6.6 | 2 |

Recap – MTT Chargeable

- After computing the top-up amount of each CE, the chargeable entity of an MNE group determines the amount of MTT chargeable for a FY.
- The chargeable entity is the parent entity located in Singapore:
 - that is a responsible member of an MNE group at any time in a FY;
 - that holds an ownership interest in another CE of the MNE group in the FY; and
 - with a CE located in a jurisdiction outside Singapore, or that is a stateless entity, and such an entity has a top-up amount for that FY (i.e. a “relevant entity”).
- The amount of MTT chargeable is based on the chargeable entity’s **share of the top-up amount of each relevant entity**, and this is dependent on the **inclusion ratio** that the chargeable entity has in each relevant entity.
 - Refer to Part B of Module One for details.



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De Minimis Exclusion

De Minimis Exclusion



The MMT Act provides a **jurisdictional exclusion** for entities of an MNE group when the average income and average revenue of these entities do not exceed certain prescribed monetary thresholds.



It recognises that, in some instances, the complexities of a full ETR computation (and the associated compliance and administrative costs), may not be warranted when weighed against the amount of top-up tax.



For the CEs located in a jurisdiction that qualify for the exclusion, the effect is that the top-up amount for such CEs is **deemed to be nil** for the FY when the relevant qualifying conditions are satisfied.



It operates on an **election basis** and, upon election annually, applies throughout the jurisdiction for all CEs not being special entities, MOCEs and members of a minority-owned subgroup (i.e. no need to qualify separately).[#]

[#] Standalone JVs and entities of a JV group also qualify for the de minimis exclusion in their respective groupings.

De Minimis Exclusion

What are the conditions to qualify for the de minimis exclusion?*

Revenue Test

Average of the following is **less than EUR 10 mil**:

- i. sum of the adjusted revenues of the CEs located in a jurisdiction for FY;
- ii. sum of the adjusted revenues of the CEs in the preceding FY (i.e. FY-1), for FY-1; and
- iii. sum of the adjusted revenues of the CEs in the FY preceding FY-1 (i.e. FY-2), for FY-2.



Income Test

Average of the following is **less than EUR 1 mil**:

- i. sum of the GloBE income or loss of the CEs located in a jurisdiction for FY;
- ii. sum of the GloBE income or loss of the CEs in FY-1, for FY-1; and
- iii. sum of the GloBE income or loss of the CEs in FY-2, for FY-2.

If the above conditions are satisfied, the top-up amount for the CEs (not being stateless entities, IEs and IIEs) of an MNE group located in a jurisdiction for the FY is **deemed to be nil**, provided that the filing entity so elects in its GIR.**

* Section 19(1) of the MMT Act.

** Sections 19(4) and 19(5) of the MMT Act.

De Minimis Exclusion

What are the conditions to qualify for the de minimis exclusion?

- “Adjusted revenue” refers to the revenue of a CE that is taken into account in its FANIL for the FY, after making prescribed adjustments.*
- If none of the CEs of the MNE group in respect of FY-1 or FY-2 has any adjusted revenue or GloBE income or loss for FY-1 or FY-2, respectively, that FY is disregarded for the purpose of calculating the average sums used to determine whether the revenue test and income test are satisfied.**

* Section 19(6) of the MMT Act.

** Section 19(2) of the MMT Act.

Adjustments to “Adjusted Revenue”

What adjustments to make to the “adjusted revenue”?

When computing the “adjusted revenue” of a CE for a FY, the adjustments to be made to the revenue of the CE for the FY:*

Any increase or decrease in the CE’s FANIL in determining its GloBE income or loss that affects the amount of its revenue.

Excludes:

- i. any increase or decrease in respect of expenses; or
- ii. any decrease in the CE’s revenue or GloBE income or loss for the FY resulting from a recalculation** of its top-up amount or ETR for the FY, in a subsequent FY.

* Regulation 95 of the MMT Regulations.

** Section 21(4) of the MMT Act.

Further Adjustments

What adjustments to make for a FY that is not 12 months?

- If any FY is not 12 months, the sum of adjusted revenues or the sum of GloBE income or loss of CEs for that FY (as the case may be) is calculated as follows:*

Sum of adjusted revenues = $A \times (365 \div C)$

Sum of GloBE income or loss = $B \times (365 \div C)$

- A = Sum of adjusted revenues (for FY that is not 12 months).
- B = Sum of GloBE income or loss (for FY that is not 12 months).
- C = Number of days in that FY.

* Section 19(3) of the MMT Act.



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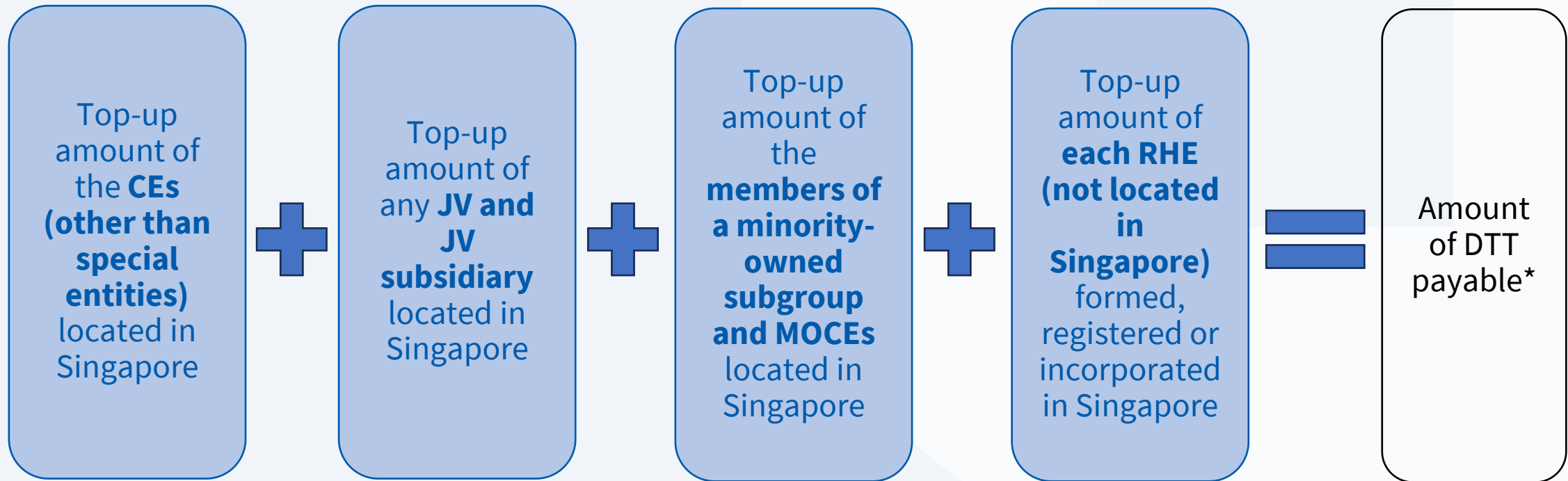


Applicability to DTT

Applicability to DTT

- The rules discussed in Module Four in respect of the MTT are also applicable to the DTT.
- Importantly, while the MTT applies to a Singapore parent entity's ownership interest in its relevant entities outside Singapore and stateless entities (but does not apply to such interests in its domestic entities), the DTT applies to entities in Singapore.
- The ETR and top-up amount in respect of the DTT are computed on a **jurisdictional basis** – i.e. based on that of all the entities located in Singapore, subject to the separate ETR groupings.
 - The DTT jurisdictional top-up amount follows the same formula as that for the MTT, except that there is no reduction for QDMTT.

Recap – Amount of DTT Payable



- For DTT purpose, the top-up amount of a CE that is an IE or IIE is nil.**
 - The treatment of IEs and IIEs will be covered in Module Eight.

* Section 29 of the MMT Act.

** Section 30(10) of the MMT Act.

Applicability to DTT

- The UPE of the MNE group must designate a CE located in Singapore as the MNE group's DFE, on behalf of all the:
 - i. CEs of the MNE group that are located in Singapore;
 - ii. JVs and JV subsidiaries connected to the MNE group that are located in Singapore;
 - iii. RHEs of the MNE group that are established, formed, incorporated or registered under the laws of Singapore, and not located in Singapore,in the form and manner specified by the Comptroller.*#

* Sections 29(b), 34(1) and 34(2) of the MMT Act.

The details on designating a CE located in Singapore as the MNE group's DFE will be released at a later date.

Applicability to DTT

- The DFE of an MNE group is the entity responsible for:
 - filing the DTT return with the Comptroller (in the form and manner specified by the Comptroller);* and
 - computing and paying the DTT payable to the Comptroller,**

on **behalf of the relevant entities of the MNE group in Singapore.**

* Section 43(1) of the MMT Act.

** Section 44(1) of the MMT Act.

Section 45(1) Election

- However, an MNE group may elect for the **part of the DTT** (i.e. amount Y) **attributable to a particular CE** of the MNE group, JV or JV subsidiary (i.e. X), to be **paid by said entity**.^{*}
- For the purpose of making a section 45(1) election, such an election must **not** be made in respect of an entity that:^{**}
 - a. has a negative amount of GloBE income or loss for the FY;
 - b. is a FTE that is not a RHE with respect to any of its income, expenditure, profit or loss;
 - c. has an ETR of 15% or more; or
 - d. ceases to be a CE of the MNE group, or ceases to be connected to the MNE group (in the case of a JV or JV subsidiary), before the date of the return for the FY.

^{*} Section 45(1) of the MMT Act.

^{**} Section 45(3) of the MMT Act.

Section 45(1) Election

How to compute the top-up amount under a section 45(1) election?

- Where X is a CE of an MNE group that is not a special entity:*

Amount Y = $[(A \div B) \times C]$

- A = GloBE income or loss of X for that FY.
- B = Sum of the GloBE income or loss for that FY of all the CEs (not being special entities) of the MNE group located in Singapore that have a positive amount of GloBE income or loss for that FY.
- C = Sum of the top-up amounts for the CEs (not being special entities) of the MNE group located in Singapore for that FY.

* Sections 45(4)(a), 45(4)(b)(i) and 45(4)(c)(i) of the MMT Act.

Section 45(1) Election

How to compute the top-up amount under a section 45(1) election?

- Where X is: (i) a RHE (not located in Singapore) formed, registered or incorporated in Singapore;* (ii) a MOCE that is not part of a minority-owned subgroup; or (iii) a standalone JV:**

Amount Y = $[(A \div B) \times C]$

- A = GloBE income or loss of X for that FY.
- B = GloBE income or loss of X for that FY.
- C = Top-up amount for X for that FY.

* Section 29(b) of the MMT Act.

** Sections 45(4)(a), 45(4)(b)(ii) and 45(4)(c)(ii) of the MMT Act.

Section 45(1) Election

How to compute the top-up amount under a section 45(1) election?

- Where X is: (i) a MOCE that is part of a minority-owned subgroup; or (ii) an entity of a JV group:*

Amount Y = $[(A \div B) \times C]$

- A = GloBE income or loss of X for that FY.
- B = Sum of the GloBE income or loss for that FY of all the entities of the minority-owned subgroup or JV group (as the case may be) located in Singapore that have a positive amount of GloBE income or loss for that FY.
- C = Sum of the top-up amounts for the entities of the minority-owned subgroup or JV group (as the case may be) located in Singapore for that FY.

* Sections 45(4)(a), 45(4)(b)(iii) and 45(4)(c)(iii) of the MMT Act.

Section 45(1) Election

- Example – CEs not being special entities:
 - The MNE group has four CEs in Singapore, and SBIE of 30.

| (\$) | Globe income or loss | Adjusted covered taxes | Top-up amount – with election | |
|------------------------------------------|----------------------|------------------------|---------------------------------|------------------------------------------------------|
| CE 1 | 100 | 10 | Top-up amount allocated to CE 2 | 4.26 (i.e. [200 ÷ (100 + 200 + 80)] x 8.1) |
| CE 2 | 200 | 15 | | |
| CE 3 | (80) | 0 | Top-up amount of DFE | 3.84 (i.e. 8.1 – 4.26) |
| CE 4 | 80 | 11 | | |
| Total | 300 | 36 | Top-up amount of MNE group | 8.1 (i.e. 4.26 + 3.84) |
| Jurisdictional ETR | 12% (i.e. 36 ÷ 300) | | | |
| Top-up tax percentage | 3% (i.e. 15% – 12%) | | | |
| Excess profits | 270 (i.e. 300 – 30) | | | |
| Top-up amount of MNE group – no election | 8.1 (i.e. 270 x 3%) | | | |



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